

Message Text

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ACTION SS-30

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R 292236Z AUG 74

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 0021

C O N F I D E N T I A L SANTIAGO 5209

EXDIS

EO 11652: GDS

TAGS: EMIN, CI

SUBJECT: COPPER: KENNECOTT CONTINUES NEGOTIATIONS WITH GOC

REF: SANTIAGO 4497

1. SUMMARY: KENNECOTT TEAM HAS RESUMED NEGOTIATIONS WITH PHILIPPI BUT HAS BEEN UNABLE TO AGREE ON BOTTOM LINE COMPENSATION FIGURE. MATTER WILL NOW BE REFERRED TO MINISTER OF ECONOMIC COORDINATION RAUL SAEZ. WE CONTINUE BELIEVE THERE ARE GOOD PROSPECTS FOR SETTLEMENT BEFORE END OF YEAR. END SUMMARY

2. MICHAELSON AND KENNECOTT TEAM HAVE BEEN IN SANTIAGO THIS WEEK FOR FURTHER DISCUSSIONS WITH GOC COPPER NEGOTIATOR JULIO PHILIPPI. IN ADDITION, THEY TALKED WITH MINISTER OF ECONOMY FERNANDO LENIZ AND MINISTER OF FINANCE JORGE CAUAS.

3. DURING AUGUST 28 CALL ON AMBASSADOR, MICHAELSON SAID IMPASSE BETWEEN KENNECOTT AND PHILIPPI OVER BOTTOM LINE COMPENSATION FIGURE HAS BEEN REACHED. KENNECOTT WANTS \$90-100 MILLION IN COMPENSATION PAID QUICKLY, WHILE GOC OFFER IS ABOUT \$57 MILLION OVER LONGER TERM. SINCE RAUL SAEZ NOT EXPECTED TO BE BACK IN HIS OFFICE BEFORE EARLY SEPTEMBER, AND BECAUSE NO ONE ELSE IN GOC IS IN POSITION TO BREAK THIS DEADLOCK, KENNECOTT TEAM EXPECTS TO DEPART SANTIAGO AUGUST 29 AND RETURN FOR FURTHER TALKS AFTER VARIOUS SEPTEMBER CHILEAN NATIONAL HOLIDAYS.

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4. COMMENT: WE AGREE WITH MICHAELSON THAT RAUL SAEZ NOW IS THE KEY MAN. AMBASSADOR EXPECTS TO SEE SAEZ NEXT WEEK AND WILL SEEK TO DRAW HIM OUT ON THESE NEGOTIATIONS. WE REMAIN OPTIMISTIC THAT SETTLEMENT IS POSSIBLE BEFORE END OF THIS YEAR.
POPPER

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